CORPORATE INCOME AND INSURANCE PREMIUM TAX CREDITS FOR CONTRIBUTIONS TO SCHOOL TUITION ORGANIZATIONS FOR SCHOLARSHIPS FOR DISABLED/DISPLACED STUDENTS

REPORTING FOR 2009

The corporate income tax credit and insurance premium tax credit for contributions to school tuition organizations for scholarships for disabled/displaced students, is governed by A.R.S. § 43-1184 and § 20-224.07. School tuition organizations (STOs) participating in the tax credit programs must report the following information to the Arizona Department of Revenue by June 30:

- 1. The name, address and contact name for the STO.
- 2. The number of contributions received in the previous calendar vear.
- 3. The dollar amount of contributions received in the previous calendar year.
- 4. The number of children awarded scholarships or grants during the previous calendar year.
- 5. The dollar amount of scholarships and grants awarded during the previous calendar year.
- The name and address of each school receiving the scholarships or grant money, along with the number and dollar amount of scholarships or grants provided to each school.
- 7. Verification that an independent review of financial statements according to generally accepted accounting principles (GAAP) was completed by a certified public accountant for the previous calendar year.

The Arizona Department of Revenue was aware of 53 STOs operating in Arizona in 2009. Four of these STOs received donations in the corporate income and insurance premium tuition tax credit program for disabled/displaced students in 2009.¹

¹ Additional eligibility requirements for disabled/displaced scholarship recipients as well as the CPA review may have caused limited participation.

DONATIONS BY CALENDAR YEAR

In calendar year 2009, \$781,000 was donated by 5 corporations to 4 STOs.² The Tuition Organization for Private Schools received the most donations for a total of \$416,000. Two STOs received only one The following table shows the number and amount of donation. donations received by each STO in 2009.

Corporate Disabled/Displaced Donations Received in CY2009

	# of	Total
School Tuition Organization	Donors	Donations
Arizona School Choice Trust	2	\$90,000
Institute for Better Education	1	\$75,000
New Valley Education Partners	1	\$200,000
Tuition Organization for Private Schools	2	\$416,000

As with the original corporate credit for contributions to school tuition organizations, insurance companies are also allowed to participate in this program. Insurance companies do not pay corporate income tax; instead they are allowed an insurance premium tax credit. insurance companies participated in the program in calendar year 2009, donating \$706,000.

Donations to STOs to receive the corporate income tax or insurance premium tax credit are limited by statute. The statutory limitation is by fiscal year and currently capped at \$5 million. The donations reported here for calendar year 2009 are applied against the fiscal year 2010 limitation.

SCHOLARSHIPS

Recipients of disabled/displaced scholarships must meet the following auidelines:

- 1. The student must have an Arizona individualized education plan (IEP), 504 plan or was placed in the Arizona foster care system.
- 2. The student receiving the scholarship must meet the following:

² There were a total of 7 donations in CY2009. One company donated to two STOs and one company donated twice to the same STO.

- a. Received a grant or scholarship from the former Arizona Department of Education program in the 2008/09 academic year; or
- b. Attended a governmental primary or secondary school fulltime for at least the first 100 days of the prior fiscal year and then transferred to a qualified private school; or
- c. Received a scholarship under one of the two previous guidelines and continues to attend a qualified private school in a subsequent year.
- 3. The amount of the scholarship shall not exceed the lesser of the cost of tuition or 90% of the amount of state aid that would have been computed for the student to attend public school.³

The legislation creating the disabled/displaced credit became effective August 26, 2009. Therefore, the calendar year 2009 donations listed previously were received between August 26, 2009 and December 31, 2009. Given the short time available to receive donations, the legislation allowed STOs to fund disabled/displaced scholarships from donations received through the original corporate STO credit (A.R.S. § 43-1183) for the 2009/2010 academic year.

Students who received scholarships or grants in the 2008/2009 academic year from the disabled and displaced scholarship/grant programs administered by the Arizona Department of Education could receive a scholarship funded by donations made to the original corporate credit program. In doing so, the income restrictions and scholarship amount restrictions set out under the original corporate STO credit are not applicable to the qualified students. This exception exists only for the 2009/2010 academic year. Two STOs, the Catholic Tuition Support Organization for the Diocese of Tucson and the School Tuition Association of Yuma, used original corporate money to award all of their disabled/displaced scholarships in 2009.

Five STOs reported disabled/displaced student scholarships awarded in 2009. These STOs reported 115 scholarships totaling \$625,335. Also shown below is the number of schools receiving scholarships from each STO.

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³ For the 2009/2010 academic year, students that received a scholarship/grant in 2008/2009 under the previous program administered by the Arizona Department of Education may receive a scholarship equal to the scholarship/grant amount received in 2008/2009 though limited to the cost of tuition.

Corporate Disabled/Displaced Student Scholarships In CY 2009

School Tuition	# of	# of	Scholarship	
Organization	Scholarships ⁴	schools	Amount	Average
Arizona School Choice Trust	5	4	\$90,000	\$18,000.00
Catholic Tuition Support Organization - Diocese of Tucson	35	10	\$129,338	\$3,695.36
Institute for Better Education	39	18	\$32,939	\$866.82
School Tuition Association of Yuma	3	1	\$750	\$250.00
Tuition Organization for Private Schools	33	9	\$372,309	\$11,282.08
TOTAL	115		\$625,335	\$5,437.69

As can be seen in the table above, the Institute for Better Education provided 39 scholarships. One STO, the School Tuition Association of Yuma, provided scholarships to only one school. New Valley Education Partners had corporate money available but did not fund any scholarships in 2009. Appendix I, at the end of this report, shows all schools receiving scholarships out of the corporate income and insurance premium tax credit donations.

CPA REVIEW

STOs that participate in soliciting corporate contributions are subject to a CPA review. On the form on which STOs report the statutorily-required information, there is a place for a certified public accountant to sign, indicating that the required review took place.

The CPA review was reported as complete by all STOs that received donations for the disabled/displaced scholarship program.

School Tuition Organization	2009 CPA Review Complete
Arizona School Choice Trust	X
Institute for Better Education	X
New Valley Education Partners	X
Tuition Organization for Private Schools	X

Failure to submit a report signed by a CPA results in the inability to receive corporate donations under this program.

 $^{^4}$ The number of scholarships will include double counting when a student receives scholarships from more than one STO. In CY2009, there were 112 students that received 115 scholarships.

QUALIFIED STUDENTS

In calendar year 2009 there were 509 students eligible to receive a disabled/displaced scholarship.

Until March 25, 2009, the Arizona Department of Education administered the Scholarship for Pupils with Disabilities and the Displaced Pupils Choice Grant programs. Students that received a tuition grant or educational scholarship during the 2008/2009 academic year from the Arizona Department of Education were grandfathered onto the list of eligible students for 2009/2010. The Arizona Department of Education identified 477 students under the old programs that were placed on the qualified student list for the 2009/2010 academic year.

With the new program, students must first apply for eligibility to determine that they meet the qualifications set in statute in order to receive a disabled/displaced scholarship from an STO. The Arizona Department of Revenue maintains the list of qualified disabled/displaced students. In calendar year 2009, 56 applications for eligibility were received. Of those applications, 32 were determined eligible to receive a disabled/displaced scholarship.

Of the 477 students grandfathered onto the qualified student list only 106 were awarded scholarships in calendar year 2009. The average amount of scholarship for these students was \$5,842.71. Six students of the 32 who qualified in 2009 for the disabled/displaced program received a scholarship in calendar year 2009, with an average scholarship amount of \$1,001.17.

APPENDIX I NUMBER AND AMOUNT OF SCHOLARSHIPS RECEIVED BY SCHOOL

	# of	# of	Total	
	ST0s	scholarships	scholarship \$	average
Abbie Loveland Tuller School	1	4	\$2,000	\$500.00
Arrowhead Christian Academy	1	3	\$10,590	\$3,530.00
Ascension Lutheran School	1	2	\$1,815	\$907.50
Bethany Christian School				
(Tempe)	1	1	\$1,250	\$1,250.00
Carden Christian Academy				
Central	1	1	\$875	\$875.00
Casas Christian School	1	8	\$4,000	\$500.00
Christian Academy of Prescott	1	3	\$2,796	\$932.08
Chrysalis Academy	1	1	\$23,207	\$23,207.00
Desert Christian High School	1	4	\$2,775	\$693.75
Desert Christian Middle School	1	3	\$3,351	\$1,117.13
Ethos School	1	1	\$20,560	\$20,560.17
Faith Community Academy	1	2	\$1,500	\$750.00
First Southern Christian				
School	1	1	\$500	\$500.00
Gateway Academy	1	2	\$44,000	\$22,000.00
Immaculate Heart School	2	3	\$9,204	\$3,068.14
Ironwood Hill School	1	1	\$750	\$750.00
Kachina Country Day School	1	1	\$3,525	\$3,525.00
Kino Learning Center	3	4	\$9,157	\$2,289.15
Lauren's Institute for				
Education	1	15	\$260,735	\$17,382.31
Lexis Preparatory School	1	1	\$500	\$500.00
Northwest Christian School	1	4	\$19,823	\$4,955.75
Our Mother of Sorrows School	2	2	\$4,286	\$2,142.86
Pieceful Solutions	1	2	\$39,880	\$19,939.86
River of Life Christian School	1	1	\$950	\$950.00
Salpointe Catholic High School	1	2	\$11,500	\$5,750.00
San Miguel Catholic High				
School	1	1	\$2,100	\$2,100.00
San Xavier Mission School	1	2	\$8,819	\$4,409.41
Santa Cruz School	1	14	\$52,920	\$3,780.00
St. Ambrose Catholic School	1	6	\$22,285	\$3,714.17
St. Augustine Catholic High	1	2	\$9,183	\$4,591.70
St. John the Evangelist	1	1	\$2,200	\$2,200.00
St. Joseph Catholic School				
(Tucson)	1	4	\$8,800	\$2,200.00
St. Michael's	1	2	\$1,000	\$500.00
The Caepe School	1	1	\$3,821	\$3,821.34
The Orme School of Arizona	1	1	\$2,092	\$2,091.69
Valley Christian High School	1	1	\$14,600	\$14,600.00
Verde Valley Christian School	1	5	\$17,236	\$3,447.12
Yuma Lutheran School	1	3	\$750	\$250.00